

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC.)
FOR AN ORDER AUTHORIZING THE ISSUANCE AND) CASE NO.
SALE OF PROMISSORY NOTES AND AUTHORIZED) 2008-00403
BUT UNISSUED COMMON STOCK)

SECOND DATA REQUEST OF COMMISSION STAFF
TO COLUMBIA GAS OF KENTUCKY, INC.

Columbia Gas of Kentucky, Inc. ("Columbia"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 5 copies of the following information, with a copy to all parties of record. The information requested herein is due within 7 days from the date of this request. Responses to requests for information shall be appropriately bound, tabbed, and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Columbia shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any requests to which

Columbia fails or refuses to furnish all or part of the requested information, Columbia shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to Columbia's Response to Item 3(c) of the Initial Data Request of Commission Staff.

a. Columbia was asked to explain how the method described in Section J of the application for determining the interest rate would ensure that Columbia obtains the lowest interest rate that would be available in the capital markets. Columbia's response did not provide an adequate explanation. Provide a more detailed response.

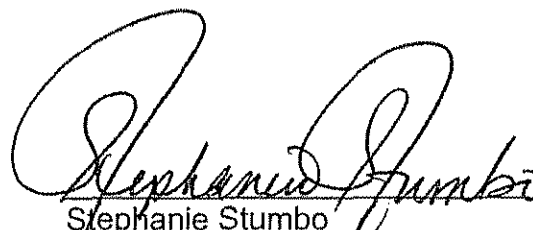
b. This response states that Columbia will avoid transactional costs associated with an external debt capital market. Provide estimates of the transactional costs that will be incurred for the intercompany note and the transactional costs that would be incurred if an external debt capital market was used.

2. Columbia is proposing to rely on NiSource Finance Corp. for its financing. For calendar year 2008, identify all similar financings for NiSource Inc. affiliated companies that were obtained through NiSource Finance Corp. Provide the term and interest rate for each.

3. Is Columbia familiar with Case Nos. 2003-00058¹ and 2006-00155² wherein the Commission authorized Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU"), respectively, to issue debt to an affiliated company?

a. If yes, explain why Columbia did not propose to borrow from NiSource Finance Corp. at the lower of (a) the average of the interest rates available to NiSource Inc. or (b) the lowest interest rate available to Columbia, based on three quotes obtained by each, as was required in those cases.

b. If no, state whether Columbia believes the method approved for LG&E and KU is an acceptable method for determining the interest rate it will incur to NiSource Finance Corp. and explain the rationale for such belief.



Stephanie Stumbo
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED: November 18, 2008

cc: All Parties

¹ Case No. 2003-00058, The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations.

² Case No. 2006-00155, The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations.